

RAPPAHANNOCK UNITED WAY, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rappahannock United Way, Inc.
Fredericksburg, Virginia

We have audited the accompanying statements of financial position of Rappahannock United Way, Inc. (the Organization) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PBGH LLP

Fredericksburg, Virginia
December 5, 2008

RAPPAHANNOCK UNITED WAY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 552,673	\$ 1,294,830
Certificates of deposit	976,784	268,823
Pledges receivable, net	1,401,006	1,304,099
Other receivables	3,776	3,831
Prepaid expenses	8,319	7,856
Total current assets	2,942,558	2,879,439
Property and Equipment		
Land	82,161	82,161
Construction in process	70,197	5,900
Building and improvements	112,408	112,408
Equipment	110,990	110,990
	375,756	311,459
Less accumulated depreciation	138,633	126,133
	237,123	185,326
	\$ 3,179,681	\$ 3,064,765
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 54,762	\$ 71,755
Allocation and grants payable	1,954,917	1,976,028
Total current liabilities	2,009,679	2,047,783
Net Assets		
Unrestricted		
Undesignated	1,034,424	854,801
Board designated	63,704	94,100
Temporarily restricted	71,874	68,081
	1,170,002	1,016,982
	\$ 3,179,681	\$ 3,064,765

See Notes to Financial Statements.

RAPPAHANNOCK UNITED WAY, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Gross Campaign Results - 2007/2008	\$ 3,380,004	\$ -	\$ 3,380,004
Less: donor designations	(1,602,866)	-	(1,602,866)
Less: provision for uncollectible pledges	(123,633)	-	(123,633)
Net campaign revenue - 2007/2008	<u>1,653,505</u>	<u>-</u>	<u>1,653,505</u>
Gross Campaign Results - 2008/2009	-	9,863	9,863
Less: donor designations	-	-	-
Less: provision for uncollectible pledges	-	-	-
Net campaign revenue - 2008/2009	<u>-</u>	<u>9,863</u>	<u>9,863</u>
Special events	30,048	-	30,048
Less direct costs	(30,507)	-	(30,507)
Service fees	108,898	-	108,898
Grants and contracts	27,833	39,500	67,333
Investment income	30,121	-	30,121
Miscellaneous income	809	-	809
Net assets released from restrictions	45,570	(45,570)	-
	<u>212,772</u>	<u>(6,070)</u>	<u>206,702</u>
Total revenue	<u>1,866,277</u>	<u>3,793</u>	<u>1,870,070</u>
Expenses			
Program services:			
Gross funds awarded/distributed	2,412,097	-	2,412,097
Less: donor designations	(1,602,866)	-	(1,602,866)
Net funds awarded/distributed	<u>809,231</u>	<u>-</u>	<u>809,231</u>
Other Program Services	<u>347,557</u>	<u>-</u>	<u>347,557</u>
Total program services	<u>1,156,788</u>	<u>-</u>	<u>1,156,788</u>
Supporting Services:			
Organizational administration	247,651	-	247,651
Fundraising	289,950	-	289,950
United Way of America dues	22,661	-	22,661
Total supporting services	<u>560,262</u>	<u>-</u>	<u>560,262</u>
Total expenses	<u>1,717,050</u>	<u>-</u>	<u>1,717,050</u>
Increase in net assets	<u>149,227</u>	<u>3,793</u>	<u>153,020</u>
Net assets, beginning of period	<u>948,901</u>	<u>68,081</u>	<u>1,016,982</u>
Net assets, end of period	<u>\$ 1,098,128</u>	<u>\$ 71,874</u>	<u>\$ 1,170,002</u>

See Notes to Financial Statements.

RAPPAHANNOCK UNITED WAY, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Gross Campaign Results - 2006/2007	\$ 3,274,447	\$ 23,870	\$ 3,298,317
Less: donor designations	(1,737,021)	-	(1,737,021)
Less: provision for uncollectible pledges	(118,634)	-	(118,634)
Net campaign revenue - 2006/2007	1,418,792	23,870	1,442,662
Gross Campaign Results - 2007/2008	-	-	-
Less: donor designations	-	-	-
Less: provision for uncollectible pledges	-	-	-
Net campaign revenue - 2007/2008	-	-	-
Special events	30,265	-	30,265
Less direct costs	(10,362)	-	(10,362)
Service fees	73,823	-	73,823
Grants and contracts	36,904	104,229	141,133
Investment income	35,533	-	35,533
Miscellaneous income	106,154	-	106,154
Net assets released from restrictions	116,508	(116,508)	-
	388,825	(12,279)	376,546
Total revenue	1,807,617	11,591	1,819,208
Expenses			
Program services:			
Gross funds awarded/distributed	2,321,075	-	2,321,075
Less: donor designations	(1,737,021)	-	(1,737,021)
Net funds awarded/distributed	584,054	-	584,054
Other Program Services	339,504	-	339,504
Total program services	923,558	-	923,558
Supporting Services:			
Organizational administration	235,745	-	235,745
Fundraising	268,170	-	268,170
United Way of America dues	21,350	-	21,350
Total supporting services	525,265	-	525,265
Total expenses	1,448,823	-	1,448,823
Increase in net assets	358,794	11,591	370,385
Net assets, beginning of period	590,107	56,490	646,597
Net assets, end of period	\$ 948,901	\$ 68,081	\$ 1,016,982

See Notes to Financial Statements.

RAPPAHANNOCK UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008

	Program Services			Support Services			Total All Services	
	Allocation Services	All Other Programs	Total	Management & General	Fundraising	UWA Dues		Total
Allocations/awards	\$ 2,412,097	\$ -	\$ 2,412,097	\$ -	\$ -	\$ -	\$ -	\$ 2,412,097
Less: Donor designations	(1,602,866)	-	(1,602,866)	-	-	-	-	(1,602,866)
	<u>809,231</u>	<u>-</u>	<u>809,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>809,231</u>
Salaries	-	141,186	141,186	163,048	163,259	-	326,307	467,493
Payroll taxes	-	9,923	9,923	10,960	11,081	-	22,041	31,964
Employee benefits	-	2,997	2,997	2,054	3,720	-	5,774	8,771
	<u>-</u>	<u>154,106</u>	<u>154,106</u>	<u>176,062</u>	<u>178,060</u>	<u>-</u>	<u>354,122</u>	<u>508,228</u>
Contract services	-	108,898	108,898	-	-	-	-	108,898
Supplies	-	7,847	7,847	2,442	39,629	-	42,071	49,918
Telephone	-	1,824	1,824	1,218	3,419	-	4,637	6,461
Postage and shipping	-	601	601	505	2,536	-	3,041	3,642
Occupancy	-	4,531	4,531	3,098	5,759	-	8,857	13,388
Equipment rental	-	792	792	538	995	-	1,533	2,325
Printing	-	1,140	1,140	-	-	-	-	1,140
Travel	-	7,473	7,473	3,284	8,847	-	12,131	19,604
Conferences, conventions and meetings	-	210	210	1,631	2,360	-	3,991	4,201
Insurance	-	615	615	326	586	-	912	1,527
Training	-	3,733	3,733	1,488	2,900	-	4,388	8,121
Dues and subscriptions	-	760	760	863	1,927	-	2,790	3,550
Advertising	-	6,845	6,845	-	17,075	-	17,075	23,920
Repairs and maintenance	-	3,434	3,434	2,188	7,602	-	9,790	13,224
Awards	-	2,763	2,763	104	716	-	820	3,583
Professional fees	-	35,114	35,114	48,158	9,009	-	57,167	92,281
Miscellaneous	-	2,985	2,985	2,052	3,610	-	5,662	8,647
Depreciation	-	3,886	3,886	3,694	4,920	-	8,614	12,500
	<u>-</u>	<u>193,451</u>	<u>193,451</u>	<u>71,589</u>	<u>111,890</u>	<u>-</u>	<u>183,479</u>	<u>376,930</u>
United Way of America Dues	-	-	-	-	-	22,661	22,661	22,661
Total functional expenses	\$ 809,231	\$ 347,557	\$ 1,156,788	\$ 247,651	\$ 289,950	\$ 22,661	\$ 560,262	\$ 1,717,050

See Notes to Financial Statements.

RAPPAHANNOCK UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2007

	Program Services			Support Services				Total
	Allocation Services	All Other Programs	Total	Management & General	Fundraising	UWA Dues	Total	
Allocations/Awards	\$ 2,321,075	\$ -	\$ 2,321,075	\$ -	\$ -	\$ -	\$ -	\$ 2,321,075
Less: Donor designations	(1,737,021)	-	(1,737,021)	-	-	-	-	(1,737,021)
	<u>584,054</u>	<u>-</u>	<u>584,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>584,054</u>
Salaries	-	118,901	118,901	171,234	125,421	-	296,655	415,556
Payroll Taxes	-	8,681	8,681	11,877	8,130	-	20,007	28,688
Employee Benefits	-	2,818	2,818	2,419	2,495	-	4,914	7,732
	-	<u>130,400</u>	<u>130,400</u>	<u>185,530</u>	<u>136,046</u>	<u>-</u>	<u>321,576</u>	<u>451,976</u>
Contract services	-	73,824	73,824	-	-	-	-	73,824
Supplies	-	17,478	17,478	4,853	34,092	-	38,945	56,423
Telephone	-	2,309	2,309	2,041	2,515	-	4,556	6,865
Postage and shipping	-	1,012	1,012	464	2,298	-	2,762	3,774
Occupancy	-	3,946	3,946	3,371	3,504	-	6,875	10,821
Equipment rental	-	848	848	725	753	-	1,478	2,326
Printing	-	1,627	1,627	-	-	-	-	1,627
Travel	-	4,053	4,053	2,742	8,912	-	11,654	15,707
Conferences, conventions and meetings	-	1,125	1,125	245	11,108	-	11,353	12,478
Insurance	-	564	564	299	418	-	717	1,281
Training	-	1,802	1,802	201	6,166	-	6,367	8,169
Dues and subscriptions	-	1,781	1,781	1,418	911	-	2,329	4,110
Advertising	-	21,695	21,695	-	14,464	-	14,464	36,159
Repairs and maintenance	-	2,545	2,545	2,170	4,313	-	6,483	9,028
Awards	-	1,034	1,034	30	364	-	394	1,428
Professional fees	-	49,985	49,985	19,099	29,497	-	48,596	98,581
Miscellaneous	-	18,670	18,670	8,449	8,539	-	16,988	35,658
Depreciation	-	4,806	4,806	4,108	4,270	-	8,378	13,184
	-	<u>209,104</u>	<u>209,104</u>	<u>50,215</u>	<u>132,124</u>	<u>-</u>	<u>182,339</u>	<u>391,443</u>
United Way of America Dues	-	-	-	-	-	21,350	21,350	21,350
Total functional expenses	\$ 584,054	\$ 339,504	\$ 923,558	\$ 235,745	\$ 268,170	\$ 21,350	\$ 525,265	\$ 1,448,823

See Notes to Financial Statements.

RAPPAHANNOCK UNITED WAY, INC.**STATEMENTS OF CASH FLOWS**
Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ 153,020	\$ 370,385
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,500	13,184
Decrease (increase) in:		
Pledges receivable	(96,907)	(55,860)
Other receivables	55	(1,983)
Prepaid expenses	(463)	(770)
Increase (decrease) in:		
Accounts payable and accrued expenses	(16,993)	31,740
Allocation and grants payable	(21,111)	105,115
Net cash provided by operating activities	<u>30,101</u>	<u>461,811</u>
Cash Flows From Investing Activities		
Construction and purchase of property and equipment	(64,297)	(29,078)
Purchase of certificates of deposit	(707,961)	(102,939)
Net cash used in investing activities	<u>(772,258)</u>	<u>(132,017)</u>
Increase (decrease) in cash and cash equivalents	(742,157)	329,794
Cash and Cash Equivalents, beginning	<u>1,294,830</u>	<u>965,036</u>
Cash and Cash Equivalents, ending	<u>\$ 552,673</u>	<u>\$ 1,294,830</u>

RAPPAHANNOCK UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: The Rappahannock United Way, Inc. (the Organization) is a not-for-profit working to advance the common good by focusing on education, income and health.

The Organization conducts an annual fundraising campaign which supports over 60 programs through 35 member agencies in addition to other community based non-profit organizations that provide health and human service programs. The RUW campaign also supports Community Impact initiatives which work to solve complex social issues.

The Organization serves the City of Fredericksburg, and the counties of Caroline, King George, Spotsylvania and Stafford.

A summary of the Organization's significant accounting policies follows:

Financial statements presentation: The financial statements include the accounts of the Organization and the activities of the Quantico Combined Federal Campaign, the Dahlgren/Fort A.P. Hill Combined Federal Campaign (the "CFC's"), and the Local Government Campaign (the LGC). The CFC's are unincorporated entities regulated by the Office of Personnel Management and designed solely to solicit charitable donations from federal employees in the Quantico and Dahlgren/Fort A.P. Hill CFC regions. The LGC is an unincorporated entity regulated by the City of Fredericksburg, Stafford, Spotsylvania, King George and Caroline Counties in partnership to provide a framework for charitable solicitation of local government employees. The Organization has been designated as the principal combined fund Organization for the CFC's, and the Fiscal Agent/Campaign Consultant of the LGC and, as such, manages the charitable campaigns of the CFC's and the LGC.

Revenue recognition: Contributions, including pledges, are considered to be unrestricted unless specifically indicated as temporarily or permanently restricted by the donor.

When a donor-stipulated time restriction ends or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. Contributions for which restrictions are satisfied in the same year as received are recognized as restricted and released.

An allowance for uncollectible pledges is established for each campaign and reduces pledges receivable in the statement of financial condition and is deducted from contributions in the statement of activities. Pledges outstanding one year after the close of the campaign are deemed uncollectible and the provision for uncollectible pledges is adjusted for the uncollected amounts. Any subsequent collection of previously charged off accounts is recorded through the provision for uncollectible pledges.

Gifts in kind and contributed services: Non-cash donations of equipment, materials, supplies, or other items that benefit the operations of the Organization are included as unrestricted support in the period in which the benefit applies, at estimated fair value. Donated services of a specialized nature which would otherwise be purchased by the Organization are recognized in the same manner.

RAPPAHANNOCK UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Thousands of hours, for which no value has been assigned or recognized, were volunteered throughout the year in specific assistance programs, campaign solicitations, and fund-raising activities.

Cash and cash equivalents: Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits.

Property and equipment: Purchased property and equipment are stated at cost. Donated equipment is recorded at estimated fair market value as of the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	5 - 40 years
Equipment	3 - 5 years

Allocations and grants payable: Allocations and grants payable include pass-through amounts held for others. These amounts are included in annual campaign revenues and are offset by the amount of support raised on behalf of others.

Functional allocation of expenses: Program and administrative costs have been summarized on a functional basis in the statement of activities. Indirect costs have been allocated to programs and supporting services on the basis of the activity benefited. Certain amounts in the 2007 functional allocation of expenses have been reclassified to conform to the current year presentation.

Advertising: Advertising costs are expensed as incurred and totaled \$23,920 and \$36,159 for the years ended June 30, 2008 and 2007, respectively.

Income taxes: The Internal Revenue Service has determined that the Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (IRC); therefore, no provision has been made for income tax expense.

Estimates and assumptions: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting period. Actual results could differ from those estimates. Estimates include the allowance for uncollectible pledges calculated in each year's campaign.

RAPPAHANNOCK UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Pledges Receivable

Pledges receivable consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Due in less than one year	\$ 1,646,626	\$ 1,539,099
Less allowance for uncollectible pledges	<u>(245,620)</u>	<u>(235,000)</u>
	<u>\$ 1,401,006</u>	<u>\$ 1,304,099</u>

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2008</u>	<u>2007</u>
Community needs	\$ 15,453	\$ 15,453
Volunteer organization assistance	2,827	3,397
Campaign year 2008-2009	9,863	-
Family needs	<u>43,731</u>	<u>49,231</u>
	<u>\$ 71,874</u>	<u>\$ 68,081</u>

Net assets were released through satisfaction of the following program restrictions during the years ended June 30, 2008 and 2007, as follows:

	<u>2008</u>	<u>2007</u>
Community needs	\$ -	\$ 68,218
Volunteer organization assistance	570	21,719
Family needs	<u>45,000</u>	<u>26,571</u>
	<u>\$ 45,570</u>	<u>\$ 116,508</u>

RAPPAHANNOCK UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Unrestricted Net Assets

Unrestricted net assets consist of the following as of June 30:

	<u>2008</u>	<u>2007</u>
Board designated	\$ 63,704	\$ 94,100
Undesignated	<u>1,034,424</u>	<u>854,801</u>
	<u>\$ 1,098,128</u>	<u>\$ 948,901</u>

The Organization entered into a contract with an architect on April 30, 2007 for architectural design services and with an engineer on May 31, 2007 for site and civil engineering services for an office building to be built on the Organization's land. Costs incurred for these services totaled \$70,197 at June 30, 2008 and \$5,900 at June 30, 2007.

The building is currently in the planning stages and construction has not yet been scheduled. The Board designated \$100,000 to be used toward the construction of the new building of which \$63,704 was remaining at June 30, 2008.

Note 5. Retirement Plan

The Organization offers a retirement plan under IRC Section 403(b) to all of its full-time employees. This plan allows employees to make voluntary contributions to a tax deferred annuity contract. The employer does not make contributions to the plan.